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C O N F I D E N T I A L SECTION 01 OF 02 QUITO 000914

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [ASEC](#) [EC](#)

SUBJECT: ECUADOR: POSITIVE INITIAL MEETING WITH PRESIDENT
PALACIO

REF: QUITO 894

Classified By: Amb. Kristie A. Kenney for reasons 1.4 (b) and (d)

1. (C) Summary: In a cordial encounter with the Ambassador on April 25, President Alfredo Palacio stressed his personal links to the U.S., and his wishes for normal and open relations with the USG. He asked the Ambassador to publicly express support for his government. Palacio welcomed Embassy input to help him make informed cabinet appointments, said the budget was insufficient for his plans, and said his concerns about an FTA were limited to medical patent provisions. The Ambassador told Palacio and the press later that the U.S. never broke formal diplomatic relations with Ecuador. What is important is finding ways to help Ecuador move forward. The OAS visit represented an opportunity for Ecuador's friends to help in a time of crisis. Recognizing that friendly nations occasionally differ on issues, the Embassy would continue to engage with the Palacio cabinet. She suggested Palacio carefully consider who he selects as Ambassador to the United States. The Ambassador also suggested Palacio consider calling President Toledo and President Uribe. End Summary.

Atmospherics

2. (C) A weary but dapper President Palacio received the Ambassador alone in his National Palace office. The Ambassador was accompanied by PolChief (notetaker). After a brief photo op, they had an amicable half-hour conversation. The Ambassador briefly met with press afterward.

3. (C) The Ambassador opened by expressing appreciation for Palacio's past good relations with her and the Embassy, and hope they would continue in his present position. Recognition is not the issue, she said, since relations have never been broken. In these unsettled times, what is most important is for Ecuador to move forward and take advantage of opportunities available to it. The imminent OAS delegation visit is one such opportunity to show GOE openness to the international community, and welcome its assistance. The Embassy would work with Palacio's cabinet to ensure mutual understanding and good relations.

4. (C) Palacio agreed that good relations should continue, and that the OAS visit could help Ecuador focus on the future. After a lengthy exposition of his long-standing ties to the U.S., and a pro-forma denial that he had conspired against President Gutierrez, Palacio turned to his government. He was nearly done assembling his team, he said, with the exception of the Energy portfolio, which he would offer to analyst Kurt Ruff. He thanked the Embassy for (negative) input on another name which had been considered, and offered an open channel of communication with the Embassy on this and any other issues.

Exchanging Suggestions/Requests

5. (C) Palacio asked that the Ambassador publicly pronounce on the legitimacy of his government. He also asked for USG understanding on the national budget, which just "would not suffice" to meet his government's needs or goals. It would have to be revised. Finally, Palacio said that on the trade front, the only issue he had with an FTA was the provision on medicines (IPR). He agreed with the Ambassador that friendly nations will differ on some issues, saying what is important is to have a relationship which permits respectful dialogue.

6. (C) The Ambassador thanked Palacio for the spirit of cooperation and friendship he had referred to, and offered her own suggestions for his consideration. To ensure optimal relations, his choice of Ecuador's Ambassador the U.S. was a crucial one. Ecuador would benefit from someone with close connections to Palacio and his Foreign Minister. Palacio said he had offered the job to former VP Blasco Penaherrera, who had turned it down, preferring to return to the OAS post. Palacio said he was now considering a diplomat with a German surname, which slipped his mind. (Comment: We wonder if this could be former FM Heinz Moeller.)

7. (C) The Ambassador also suggested Palacio call his counterparts in Colombia and Peru, to establish contact and a

working relationship. Palacio said he had expected Ecuador's neighbors to call him, but agreed it was a good idea to take the initiative.

Comment

18. (C) Results of this initial meeting are encouraging. Palacio was well prepared to signal his government's willingness to engage with the USG on issues of mutual concern. His pitch for recognition was surprisingly low-key. He seemed satisfied by the Ambassador's response, which she repeated for the press: ongoing relations, not recognition are key, and we want to help Ecuador move forward. With a channel of communication to the President now established, we hope to help guide the Palacio government towards shared interests.
KENNEY